AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01615)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2023. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is available on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.abbuildersgroup.com).

The Company's 2023 interim report will be despatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
AB Builders Group Limited
Lao Chio Seng
Chairman and Executive Director

Macau, 25 August 2023

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lao Chio Seng, Ms. Lao Chao U, Mr. Roberto Gnanavelu, Mr. Cheang Iek Wai and Mr. Ip Kin Wa; and three independent non-executive directors, namely Mr. Chu Yat Pang Terry, Mr. O'Yang Wiley and Mr. Choy Wai Shek, Raymond, MH, JP.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June **2023** *MOP'000* **(unaudited)**	2022 *MOP'000* (unaudited)
Revenue	*3*	**77,095**	98,041
Cost of sales		**(76,535)**	(95,713)
Gross profit		**560**	2,328
Other income	*5*	**4,081**	3,028
Other gains and losses		**301**	(14)
Impairment losses under expected credit loss model, net of reversal	*12*	**(2,500)**	(5,792)
Administrative expenses		**(12,575)**	(11,656)
Finance costs		**(125)**	(2)
Loss before taxation		**(10,258)**	(12,108)
Income tax expense	*6*	**(83)**	—
Loss for the period	*7*	**(10,341)**	(12,108)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(570)**	—
Total comprehensive expense for the period		**(10,911)**	(12,108)
Loss for the period attributable to:			
Owners of the Company		**(7,140)**	(7,622)
Non-controlling interests		**(3,201)**	(4,486)
		(10,341)	(12,108)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(7,710)**	(7,622)
Non-controlling interests		**(3,201)**	(4,486)
		(10,911)	(12,108)
		MOP cents	MOP cents
Loss per share	*9*		
– Basic		**(1.19)**	(1.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 June 2023** *MOP'000* **(unaudited)**	As at 31 December 2022 *MOP'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**37,527**	38,082
Intangible assets	*10*	**3,794**	—
Financial asset at fair value through profit or loss ("**FVTPL**")		**11,354**	11,748
		52,675	49,830
Current assets			
Inventories		**1,137**	1,152
Trade and other receivables	*11*	**51,261**	29,291
Contract assets		**24,843**	34,878
Pledged bank deposits		**67,097**	67,097
Short-term bank deposits		**82,541**	103,171
Bank balances and cash		**42,200**	43,178
		269,079	278,767
Current liabilities			
Trade and other payables	*13*	**112,188**	126,130
Tax payable		**382**	382
Bank overdrafts		**17,042**	—
		129,612	126,512
Net current assets		**139,467**	152,255
Total assets less current liabilities		**192,142**	202,085
Non-current liability			
Deferred tax liability		**948**	—
Net assets		**191,194**	202,085

	NOTE	**As at 30 June 2023** *MOP'000* **(unaudited)**	As at 31 December 2022 *MOP'000* (audited)
Capital and reserves			
Share capital	*14*	**6,189**	6,189
Reserves		**199,599**	207,289
Equity attributable to owners of the Company		**205,788**	213,478
Non-controlling interests		**(14,594)**	(11,393)
Total equity		**191,194**	202,085

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands with limited liability on 23 February 2017 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 September 2018.

The Company acts as investment holding company and its subsidiaries are principally engaged in provision of construction services including structural works and fitting-out works, and sales of air purification unit/system. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The presentation and functional currency of the Company is Macau Pataca ("**MOP**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

3. REVENUE

Revenue represents the aggregate of the amounts received and receivable for construction contracts of fitting-out works and structural works rendered and sales of air purification unit/system by the Group to its customers.

	Six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Recognised over time		
Contract revenue from provision of fitting-out works	**43,282**	97,162
Contract revenue from provision of structural works	**33,783**	—
	77,065	97,162
Recognised at a point in time:		
Revenue from sales of air purification unit/system	**30**	879
Total	**77,095**	98,041

Fitting-out works and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works and structural works varies from 1 to 2 years (six months ended 30 June 2022: from 1 to 2 years).

The Group's disaggregation of revenue from contracts with customers by geographical location is same as the geographical information of revenue from external customers as disclosed in note 4.

The following table sets out the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	At 30 June 2023	At 31 December 2022
	MOP'000	*MOP'000*
	(unaudited)	(audited)
Provision of fitting-out works	**31,809**	54,728
Provision of structural works	**17,539**	—
	49,348	54,728

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 30 June 2023 will be recognised as revenue during the years ending 31 December 2023 and 2024 in respect of provision of fitting-out works and structural works (31 December 2022: during the year ending 31 December 2023 in respect of provision for fitting-out works).

For sales of air purification unit/system, the Group applies the practical expedient that information regarding the transaction prices allocated to the remaining performance obligation for contracts with customer is not disclosed as the original expected duration of the contracts are less than one year.

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the Chief Executive Officer of the Group, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under IFRS 8 "Operating Segments" are as follows:

(a) Fitting-out works;

(b) Structural works; and

(c) Air purification business

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the period ended 30 June 2023 (unaudited)

	Fitting-out works *MOP'000*	**Structural works** *MOP'000*	**Air purification business** *MOP'000*	**Total** *MOP'000*
Segment revenue – external	**43,282**	**33,783**	**30**	**77,095**
Segment results	**302**	**243**	**15**	**560**
Other income and other gains and losses				**4,382**
Impairment losses under expected credit loss model, net of reversal				**(2,500)**
Administrative expenses				**(12,575)**
Finance costs				**(125)**
Loss before taxation				**(10,258)**

For the period ended 30 June 2022 (unaudited)

	Fitting-out works *MOP'000*	Structural works *MOP'000*	Air purification business *MOP'000*	Total *MOP'000*
Segment revenue – external	97,162	—	879	98,041
Segment results	1,882	—	446	2,328
Other income and other gains and losses				3,014
Impairment losses under expected credit loss model, net of reversal				(5,792)
Administrative expenses				(11,656)
Finance costs				(2)
Loss before taxation				(12,108)

Segment results represent the loss before taxation resulted from each segment without allocation of other income and other gains and losses, impairment losses under expected credit loss model, net of reversal, administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the Group's non-current assets (excluding financial assets at FVTPL) is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 June		**At 30 June**	At 31 December
	2023	2022	**2023**	2022
	MOP'000	*MOP'000*	***MOP'000***	*MOP'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Macau	**39,598**	82,894	**37,315**	38,057
Hong Kong	**3,714**	15,147	**13**	25
The People's Republic of China	**33,783**	—	**3,993**	—
	77,095	98,041	**41,321**	38,082

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Bank interest income	**3,515**	1,056
Government grants	**—**	833
Others	**566**	1,139
	4,081	3,028

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax	**(188)**	—
Deferred tax credit	**105**	—
	(83)	—

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Contract costs recognised as expense		
Fitting-out works	**42,980**	95,280
Structural works	**33,540**	—
	76,520	95,280
Cost of inventories recognised as expense (including net reversal of written-down of inventory of nil (six months ended 30 June 2022: MOP48,000))	**15**	433
Depreciation of property, plant and equipment	**785**	761
Amortisation of intangible assets	**421**	—
Expenses related to short-term leases for warehouses and staff quarter	**368**	263

8. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods, nor has dividend been proposed since the end of each reporting period.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on following data:

	Six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	**(7,140)**	(7,622)

	Six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**600,000**	600,000

Diluted loss per share is not presented for both periods because the potential ordinary shares were anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group made additions to furniture, fixtures and equipment and motor vehicles of MOP246,000 (six months ended 30 June 2022: MOP2,000), including MOP225,000 (six months ended 30 June 2022: nil) acquired through business combination.

During the six months ended 30 June 2023, construction licenses acquired through business combination with fair value of MOP4,215,000 (six months ended 30 June 2022: nil) are recognised as intangible assets and amortised using the straight-line method over their estimated useful life of 5 years. Details of the acquisition are disclosed in note 17.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 *MOP'000* **(unaudited)**	At 31 December 2022 *MOP'000* (audited)
Trade receivables, net of loss allowance	**24,428**	17,072
Advances paid to subcontractors and suppliers	**11,835**	8,674
Other receivables, prepayment and deposits	**14,998**	3,545
Total trade and other receivables	**51,261**	29,291

Trade receivables represent amounts receivable for work certified in relation to provision of fitting-out works and structural works after deduction of retention money.

The Group generally allows a credit period ranging from 7 to 60 days to its customers. The following is an aging analysis of trade receivables presented based on dates of work certified at the end of the reporting period, net of loss allowance.

	At 30 June 2023 *MOP' 000* **(unaudited)**	At 31 December 2022 *MOP'000* (audited)
1 – 30 days	**15,879**	13,487
31 – 60 days	**—**	2,069
Over 90 days	**8,549**	1,516
	24,428	17,072

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Impairment loss recognised (reversed) on:		
Trade receivables	**633**	1,290
Other receivables	**(2,442)**	244
Contract assets	**4,309**	4,258
	2,500	5,792

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

During the current interim period, the Group provided impairment allowance of MOP6,529,000 (six months ended 30 June 2022: MOP6,303,000), no specific loss allowance (six months ended 30 June 2022: MOP3,952,000) has been made to any individual credit-impaired debtor.

During the current interim period, the Group reversed the impairment allowance of MOP4,029,000 (six months ended 30 June 2022: MOP511,000), in particular, specific reversal of MOP3,661,000 (six months ended 30 June 2022: nil) has been made to individual debtors due to latest communication with debtors up to the date of this announcement.

13. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The credit period on trade purchase is 7 to 60 days.

	At 30 June	At 31 December
	2023	2022
	MOP'000	*MOP'000*
	(unaudited)	(audited)
Trade payables	**14,253**	15,175
Retention payables	**38,494**	41,984
Accrued contract costs	**49,921**	60,725
Provision of onerous contracts	**2,302**	724
Accruals and other payables	**7,218**	7,522
Total trade and other payables	**112,188**	126,130

The following is an aging analysis of trade payables presented based on dates of work certified at the end of the reporting period:

	At 30 June 2023 *MOP'000* (unaudited)	At 31 December 2022 *MOP'000* (audited)
1 – 30 days	**11,456**	13,795
31 – 60 days	**1,222**	4
Over 60 days	**1,575**	1,376
	14,253	15,175

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the completion date of the respective service contracts.

14. SHARE CAPITAL

	Number of shares *'000*	Share capital *MOP'000*
Ordinary shares of Hong Kong Dollars ("**HK$**") 0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 30 June 2023	10,000,000	103,150
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 30 June 2023	600,000	6,189

15. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 17 August 2018. Under the Scheme, the board of directors of the Company may, at their absolute discretion, at any time within a period of ten years commencing from the effective date offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

During the six months ended 30 June 2023, the Group recognised equity-settled share-based payments of approximately MOP20,000 (six months ended 30 June 2022: MOP177,000) in relation to share options granted by the Company to Mr. Fan Chi Chiu, the chief investment officer of the Company.

16. PERFORMANCE GUARANTEES/BID BONDS

As at 30 June 2023, performance guarantees of MOP17,006,000 (31 December 2022: MOP40,563,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities of the Group which were secured by:

(i) a legal charge over the office premises of the Group with carrying amount of MOP37,233,000 (31 December 2022: MOP37,935,000); and

(ii) pledged bank deposits of MOP67,097,000 (31 December 2022: MOP67,097,000).

As at 30 June 2023, bid bonds of MOP1,670,000 (31 December 2022: MOP2,355,000), were given by banks for bidding the projects offered by the government of Macau.

In the opinion of the management of the Group, it is not probable that a claim will be made against the Group in respect of the above performance guarantees or bid bonds.

17 ACQUISITION OF BUSINESS

On 1 November 2022, Goldkent Investment Limited ("**Goldkent**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with New Kingdom Development Company Limited ("**New Kingdom**"), a company which owned 60% of the equity interest of Jiangmen Jinying Construction and Engineering Company Limited ("**Jinying**"), and Jiangmen City Pengjiang District Jinying Property Development Company Limited, an independent company which owned 40% of the equity interest of Jinying (collectively referred to as the "**Vendors**"). New Kingdom is a related company of the Company which is indirectly owned as to 98% by Mr. Lao Chio Seng, the chairman and executive director of the Company, and his spouse, and indirectly owned as to 2% by his daughter, respectively. Pursuant to the Agreement, Goldkent agreed to acquire and the Vendors agreed to sell the entire issued share capital of Jinying at a cash consideration of RMB10,000,000 (equivalent to approximately MOP11,982,000) (the "**Acquisition**").

On 16 January 2023, the Acquisition was completed and has been accounted for as acquisition of business using the acquisition method in accordance with IFRS 3 "Business Combinations" as the directors of the Company consider that the acquired items constitute a business in accordance with IFRS 3. Jinying is principally engaged in provision of construction services in the PRC. Jinying was acquired so as to complement the Group's construction business in the PRC.

	MOP'000
Consideration transferred:	
Cash paid	11,982

Acquisition-related costs with an aggregated amount of MOP373,000 have been excluded from the consideration transferred and MOP38,000 and MOP335,000 have been recognised as an expense during the current period and for the year ended 31 December 2022, respectively, within the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised of Jinying at the date of acquisition are as follows:

	MOP'000
Property, plant and equipment	225
Intangible assets	4,215
Other receivables, prepayment and deposits	8,284
Bank balances and cash	3,245
Trade and other payables	(2,170)
Tax payable	(764)
Deferred tax liability	(1,053)
Net assets acquired	11,982

The other receivables acquired with a fair value of MOP8,092,000 at the date of acquisition had gross contractual amounts of MOP8,092,000.

Net cash outflow on acquisition of Jinying:

	MOP'000
Consideration paid in cash	11,982
Less: cash and cash equivalents acquired	(3,245)
	8,737

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, with the after-effects of the novel coronavirus ("**COVID-19**") and continuous geo-political complications around the world, the global economy remains volatile. Amid the challenges, AB Builders Group Limited (the "**Company**") together with its subsidiaries (the "**Group**") has been actively seeking for business opportunities and projects in order to drive long-term development and sustainable growth. For the six months ended 30 June 2023 (the "**Review Period**"), the Group made a revenue of approximately MOP77.1 million, which represented a decrease of approximately MOP20.9 million or approximately 21.4% over the corresponding period of last year. Accordingly, the Group recorded a gross profit of MOP0.6 million in the first half of 2023, as compared with a gross profit of MOP2.3 million in the same period of 2022. During the Review Period, the Group has acquired 1 structural work project with a contract sum of approximately MOP62.4 million and has been awarded with 2 fitting-out works projects with an aggregate contract sum of approximately MOP18.4 million. As at 30 June 2023, the Group had 24 on-going projects (either in progress or yet to commence or substantially completed but pending finalisation or agreement of the final accounts), including 4 structural works projects and 20 fitting out works projects.

Outlook and prospects

Notwithstanding the uplifting of COVID-19 control measures in the Mainland China and Macau, the instability of the economy, downturn of stock markets and the increasing interest rates pose considerable risks in maintaining profitability in different industry segments. The local market remains to be challenging, yet we are cautiously optimistic in its gradual recovery in the future. The relaxation of travel restrictions has benefited tourism and gambling industry, and hence improved Macau's economy in general. We anticipate that with the improving consumer market economy, investors and capitals would be attracted into local investment opportunities, and construction projects may be stimulated in the second half of 2023. The construction segment, being the Group's major business sector, contributes a large portion of revenue to the Group. The Group will continue to invest its resources in expanding its business network and customer base and exploring business opportunities in Macau, the PRC and other regions.

On 10 September 2019, the Group acquired 60% interests of Lap Polly Engineering Company Limited ("**Lap Polly**"). Lap Polly is engaged in construction business in Hong Kong. In light of the unfavourable past business performance and the absence of a sound business strategy for improvement, after thorough consideration by the management, it is decided that the Group will not invest further resources in the operation of Lap Polly after completion of the existing project. Lap Polly has an alleged claim of outstanding payables by the joint and several liquidators of a past customer in relation to a previous construction project of that customer, prior to the acquisition of Lap Polly by the Group.

Regarding the air purification business, it is believed that the demand for the air-purification products has decreased following the reduced social impact of COVID-19 pandemic. After thorough consideration by the management, it is decided that the Group will not invest further resources in this business segment and expects to cease the operation in the future.

As aforementioned, while continuously developing the market in construction business, the Group will actively pursue new business opportunities in other industries, which include, inter alia, financial services industry. The management is keen on utilising its business relations and resources into new commercial strategies. At the moment, the Group is exploring the opportunities in asset management and investment advisory services. Meanwhile, we will also proactively seek for reputable enterprises for any partnership, merger or acquisition in the above-mentioned industries so as to diversify its revenue streams and drive long-term growth. The Group will also continue to apply tight cost control measures for the Group's sustainable development. The board of directors believes these strategies are essential to improve the profitability of the Group and sustain its long-term business growth.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	MOP'000	*%*	*MOP'000*	*%*
Types of construction works				
Fitting-out works	**43,282**	**56.1**	97,162	99.1
Structural works	**33,783**	**43.8**	—	—
Others	**30**	**0.1**	879	0.9
Total	**77,095**	**100.0**	98,041	100.0

During the Review Period, the Group's revenue decreased by approximately MOP20.9 million or 21.4% as compared with the corresponding period of the last year. Such decrease was mainly attributable to the decrease in revenue generated from fitting-out works projects of approximately MOP53.9 million or 55.5% due to most of the works were completed in 2022; but which was partially offset by the increase in revenue generated from structural works project of approximately MOP33.8 million or 100% due to the expansion of the PRC market.

The revenue of air purification business decreased by approximately MOP0.8 million or 96.6% as compared with the corresponding period of the last year due to decrease in demand in air-purification units/system.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margin by types of revenue for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	MOP'000	***%***	*MOP'000*	*%*
Types of construction works				
Fitting-out works	**302**	**0.7**	1,882	1.9
Structural works	**243**	**0.7**	—	—
Others	**15**	**50.0**	446	50.7
Total	**560**	**0.7**	2,328	2.4

During the Review Period, the Group's gross profit decreased by approximately MOP1.8 million or 75.9% when compared with the corresponding period of the last year.

The gross profit margin of fitting-out works projects decreased by 1.2 percentage point from approximately 1.9% for the six months ended 30 June 2022 to 0.7% for the six months ended 30 June 2023. The decrease was mainly due to: (i) the recognition of loss arising from loss-making contract which amounted to approximately MOP1.7 million; and (ii) MOP1.6 million of additional provision for onerous contract was made. These unfavourable impact was partially offset by an overprovision of sub-contracting costs in prior years.

The gross profit of structural works projects increased by approximately MOP0.2 million was due to the expansion of the PRC market.

The decrease in the profit of the air-purification business of approximately MOP0.4 million was in line with the decrease in the revenue.

Other income

For the six months ended 30 June 2023, the other income of approximately MOP4.1 million mainly consisted of the bank interest income which amounted to approximately MOP3.5 million. For the six months ended 30 June 2022, the other income of approximately MOP3.0 million mainly consisted of the bank interest income, insurance claim and the subsidies from governments of HKSAR following the economic recession due to the outbreak of COVID-19. The increase was mainly attributable the increase in bank interest income as a result of the increase in the interest rates.

Other gains and losses

For the six months ended 30 June 2023, the other income of approximately MOP301,000 mainly consisted of net exchange gains and the gain from the fair value change of the financial asset at FVTPL. For the six months ended 30 June 2022, the other losses of approximately MOP14,000 mainly consisted of net exchange losses.

Impairment losses under expected credit loss model, net of reversal

The impairment losses mainly consisted of impairment losses on trade receivables, other receivables and contract assets. It was decreased by MOP3.3 million or 56.8% in view of the settlement of some long-aged receivables during the Review Period.

Administrative expenses

Administrative expenses were increased by approximately MOP0.9 million from approximately MOP11.7 million for the six months ended 30 June 2022 to approximately MOP12.6 million for the six months ended 30 June 2023. The increase was mainly attributable to the expansion of the PRC market.

Loss for the period

The loss for the six months ended 30 June 2023 was approximately MOP10.3 million as compared to the loss of approximately MOP12.1 million for the six months ended 30 June 2022. Such change was mainly due to the combined effect of the aforementioned items.

Dividend

No dividend was paid, declared or proposed during the six months ended 30 June 2023. The directors of the Company have not recommended the payment of an interim dividend for both interim periods.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

The Group's capital expenditure and daily operations during the six months ended 30 June 2023 were mainly funded by cash generated from its operations and release of short-term bank deposits.

The total cash and bank balances together with the pledged bank deposits and short-term bank deposits as at 30 June 2023 was approximately MOP191.8 million, compared to approximately MOP213.4 million as at 31 December 2022. The decrease of approximately MOP21.6 million was mainly related to the operating cash outflow.

Our gearing ratio (calculated as debt over total equity) as at 30 June 2023 was 8.9% which was mainly attributable to the increase in bank overdrafts by approximately MOP17.0 million.

As at 30 June 2023, the Group had unutilised banking facilities of approximately MOP210.2 million (31 December 2022: MOP203.0 million).

The current ratio of our Group as at 30 June 2023 was 2.1 times (31 December 2022: 2.2 times).

Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company comprising issued share capital, share premium, legal reserve, share-based payments reserve, exchange reserve, other reserve and retained earnings. There has been no change in the capital structure of the Group during the six months ended 30 June 2023.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 27 August 2018 and in this announcement, the Group did not have other plans for material investments or capital assets.

Pledge of assets

As at 30 June 2022, the Group's office premise of approximately MOP37.2 million (31 December 2022: MOP37.9 million) and certain bank deposits of approximately MOP67.1 million (31 December 2022: MOP67.1 million) were pledged with banks to secure the banking facilities including performance guarantees and bid bonds issued by the banks.

Capital commitment

On 1 November 2022, the Company made a disclosable and connected transaction announcement in relation to the proposed acquisition of entire equity interest of Jiangmen Jinying Construction and Engineering Company Limited (the "**Proposed Acquisition**"). The Proposed Acquisition was approved by independent shareholders by an Extraordinary General Meeting held on 19 December 2022. Accordingly, as at 30 June 2023, the Group has an obligation to settle an amount of RMB40.0 million (equivalent to approximately MOP44.5 million) as a capital contribution to the entity (31 December 2022: MOP57.6 million). Please refer to the announcements issued by the Company on 1 November 2022 and 19 December 2022 for further details of the Proposed Acquisition.

Significant investments, acquisition and disposals

The Group did not have any significant investment, acquisition and disposals during the six months ended 30 June 2023.

Exposure to exchange rate fluctuation

The Group entities collect most of its revenue and incur most of its expenditures in their respective functional currencies. The Group is exposed to currency risks primarily through purchase of raw materials and sale proceeds received from its customers that are denominated in a currency other than the Group's functional currency. The currencies giving rise to this risk are primarily Hong Kong dollars and Renminbi. The management of the Group considers that the exposure to foreign currency exchange risk is insignificant as the majority of its transactions are denominated in the functional currency of each of the Group entities.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group continues to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

Employee and remuneration policies

As at 30 June 2023, the Group had 68 (31 December 2022: 56) full time employees. The increase in the number of employees was mainly due to the expansion of the PRC market. The Group adjusted the number of direct labour based on the progress and expected workload of our construction works and the expected completion dates of work projects.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance, qualifications, position and seniority. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides various types of training to its employees to promote overall efficiency, employee loyalty and retention. Total staff costs for the period ended 30 June 2023 were approximately MOP9.3 million (30 June 2022: MOP15.3 million).

Compliance with laws and regulations

The Group mainly carries out its business in Macau, the PRC and Hong Kong. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau, the PRC and Hong Kong during the six months ended 30 June 2023.

Principal risk and uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible.

— Material changes in the cost of construction materials and labour costs may result in cost overrun, which could materially affect our results of operation and financial performance;

— Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;

— Cash flow of our projects may fluctuate;

— We rely on subcontractors to help complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation;

— Our success significantly depends on the key management and our ability to attract and retain technical and management staff;

— The uncertainties on the worldwide economy due to the tension between the PRC, US and the European Union; and

— Our inventory level may be affected by the market demand for air purification unit/system which may not be accurately estimated.

USE OF PROCEED

The Company has raised gross proceeds of approximately HK$100.5 million through the Global Offering upon the listing of the Company's securities on the Main Board of The Stock Exchange of Hong Kong Limited on 10 September 2018. After deducting the listing expenses, the net proceeds were approximately HK$61.2 million. According to the announcement of the Company on 27 August 2020, the Board has resolved to reallocate the unutilised net proceeds up to 30 June 2020 (the "**Reallocation**"). The table below sets out the details of the Reallocation. The Board is of the view that it is in the best interests of the Company and its shareholders as a whole.

As of 30 June 2023, the net proceeds from the Global Offering had been applied as follows:

	HKD million					
	Planned use	**Unutilised net proceeds as of 30 June 2020**	**Revised allocation of the unutilised net proceeds as of 27 August 2020**	**Utilised of revised allocation of the unutilised net proceed as of 27 August 2020 up to 31 December 2022**	**Net proceeds utilised during the period ended 30 June 2023**	**Unutilised net proceeds as of 30 June 2023**
Financing the Group's construction projects and strengthening the financial position	26.4	—	9.2	9.2	—	—
Purchasing suitable new machinery for forthcoming construction works	16.5	14.6	—	—	—	—
Potential merger and acquisition	6.1	6.1	6.1	—	6.1	—
Hire additional staff for the Group's business operation	6.1	2.8	8.2	8.2	—	—
General working capital	6.1	1.2	1.2	1.2	—	—
Total	61.2	24.7	24.7	18.6	6.1	—

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event regarding the disclosure that has taken place subsequent to 30 June 2023 and up to the date of this announcement.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has applied the principles and the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance. During the six months ended 30 June 2023, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**"), as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiries of all directors, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company established an audit committee on 17 August 2018 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph D.3.3 of the CG Code has been adopted and are available on the websites of the Stock Exchange and the Company. The primary roles of the audit committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; (b) monitoring integrity of the financial statements and reviewing significant financial reporting judgements contained in them; and (c) reviewing financial controls, internal control and risk management systems. The audit committee consists of three independent non-executive directors, namely Mr. O'Yang Wiley, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. O'Yang Wiley is the chairman of the audit committee.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been reviewed by the audit committee and the Group's auditor, Baker Tilly Hong Kong Limited.